



Government
of South Australia

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Committee Secretary
Senate Standing Committees on Environment and Communications
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Dear Committee Secretary

Thank you for the opportunity to provide a written submission to the Inquiry into Container Deposit Schemes that has been referred to the Senate Standing Committees on Environment and Communications.

South Australia has a highly successful container deposit scheme, which has been operational since 1977. The scheme currently has community support of 98%¹, and an annual return rate of beverage containers in excess of 81%. It is a scheme that provides significant benefits to South Australia through reduced litter and increased resource recovery through recycling and throughout its history in South Australia, has received bipartisan support.

In accordance with the Senate Committees Terms of Reference I make the following comments:

Overview of the South Australian Container Deposit Scheme

Attachment 1 provides an illustration of how South Australia's container deposit scheme operates. South Australia has approximately 520 beverage container approval holders, with an estimated 12,400 approved labels.

The key principle behind South Australia's container deposit scheme is a legislative requirement for beverage containers to be subject to a waste management arrangement. The *Environment Protection Act 1993* (the Act) defines a waste management arrangement as "...in relation to containers of a particular class, means an arrangement for the collection, sorting and aggregation of containers of that class when empty and their reuse, recycling or other disposal".

Beverage container approval holders must have in place an effective and appropriate waste management arrangement for beverage containers sold in South Australia.

The waste management arrangement is established between beverage container approval holders (i.e. beverage manufacturers, distributors, importers) and major

¹ CDL Awareness & Support Research Report, EPA South Australia, Harrison Research (2012)



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recyclers known as super collectors, which in turn have contractual arrangements with the 124 collection depots located throughout metropolitan Adelaide and regional South Australia. The super collectors obtain funds from the beverage container approval holders (to cover the refund value and handling fees), and reimburse collection depots for refunds paid to persons who take containers to the depots. The super collectors subsequently seek end markets for the aggregated containers recovered from depots.

South Australia has three approved super collectors: Flagcan Distributors, Statewide Recycling Pty Ltd and Marine Stores Pty Ltd. Statewide is owned by Coca Cola Amatil, Marine Stores is owned by Lion and Coopers Brewery and Flagcan is owned by a number of participants in the South Australian collection depot industry.

The legislation specifies the refund value (currently 10 cents), but does not specify any other costs that might be associated with the scheme. For example, it is known that waste management arrangements include a service fee (commonly referred to as a handling fee) which covers administration costs of the super collectors as well as fees paid to collection depots, which provides the depot with its main source of income. The waste management arrangements also take into account recovery rates of beverage container types (ie glass, aluminium, plastic, liquid paperboard). Table 1 depicts the recovery rates for containers in South Australia in 2011/12. This industry data is provided quarterly by the super collectors to the Environment Protection Authority (EPA).

South Australia's container deposit legislation focusses on the collection, sorting and aggregation of containers for reuse and recycling. The financial mechanisms negotiated by industry that underpin those waste management requirements are determined by the market under commercial terms. As a consequence the South Australian government is not privy to detailed financial arrangements that exist between beverage container approval holders, super collectors and collection depots.

As mentioned above, what is known is the waste management arrangements take into account the refund value plus a service/handling fee to cover collection depot and super collector costs and profit margins, and also considers recovery rates of the various container types. The content of individual waste management arrangements can vary, as does the handling fee for various container types. It is thought the handling fee in South Australia is likely to be on average approximately 5 cents per container.

The Australian Food and Grocery Council has indicated that in the Northern Territory consumers are paying up to 20 cents more per beverage container, which would indicate a handling fee of 10 cents on top of the 10 cents refund value.

It should be noted that the South Australian Government does not collect nor disperse monies associated with the operation of the scheme – this is all done through the various industry sectors.

Unredeemed deposits and unused handling and transport fees

The South Australian government is aware that some industry participants believe they are contributing funds to the scheme in excess of the fee structure specified in the waste management arrangements. These concerns are currently subject to dispute between beverage container approval holders and super collectors, and can only be resolved by these parties without direct intervention by the EPA.

Beverage container deposit schemes operate on the basis of consumers paying an additional cost on top of the usual beverage purchase price to cover the cost of the refund amount and handling fee described above.

It can be assumed that beverage container approval holders would (usually) pass the cost of the refund value and handling fee to consumers, as this is a recognised cost to their business. However it is possible that some beverage container approval holders may elect to absorb these costs, although this is unlikely to be a widespread practice. Furthermore, it is also possible that some approval holders amortise these costs across the national market.

As the South Australian government has no involvement in the financial arrangements that underpin the scheme, nor the pricing structure of the beverages throughout the supply chain, it is not able to comment on the extent of unredeemed refunds or unused handling fees. These issues form part of commercial negotiations between approval holders and super collectors.

South Australia's Environment Protection Authority (EPA) collates beverage container sales and return rate data. Table 1 provides return rate figures for 2011/12 financial year, showing numbers of containers sold, numbers of containers returned and return rate which were reported to the EPA by super collectors. Table 1 shows that in 2011/12, approximately 138.8 million containers (\$13.9 million) were not returned to collection depots in South Australia for refund redemption. If there was a handling fee of 5 cents on each of those containers, it would equate to an approximate additional \$7 million retained annually by industry, assuming the industry included the full deposit value for all containers sold.

<i>Beverage Container Type</i>	<i>Reported Sales</i>	<i>Reported Returns</i>	<i>Number of containers not returned</i>	<i>Return Rate</i>
Glass	206,221,338	174,069,972	32,151,366	84.4%
Aluminium	303,678,726	266,519,690	37,159,036	87.8%
PET*	153,589,084	119,738,967	33,850,117	78.0%
HDPE*	14,436,992	8,454,668	5,982,324	58.6%
LPB*	70,262,948	40,570,193	29,692,755	57.7%
Total	748,189,088	609,353,490	138,835,598	81.4%

*PET = Polyethylene terephthalate; * HDPE = High density polyethylene; *LPB = liquid paperboard

Table 1: Number of container sales and returns and return rate for container type in South Australia in 2011/12

Summary

South Australia's container deposit scheme has legislative requirements for an effective and appropriate mechanism for the recovery and recycling of containers and for the payment of the prescribed refund amount to persons returning containers.

The financial arrangements (beyond the refund value) that exist in the scheme have to date evolved independent of legislative intervention, and are based on industry commercial negotiations as part of individual waste management arrangements between approval holders and super collectors.

Thank you for the opportunity to provide this submission.

Yours sincerely

PAUL CAICA
MINISTER FOR SUSTAINABILITY, ENVIRONMENT AND CONSERVATION